



Doing Business In The Kyrgyz Republic: A Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In The Kyrgyz Republic

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Market Overview

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The Kyrgyz Republic is a small, low-income country emerging from decades of Soviet rule. Since independence, the country has undertaken the important transition toward a democratic political system and a market economy. Significant achievements include maintaining a low stable rate of inflation, successfully completing a mass privatization program and establishing a stable currency that is freely convertible with no controls on capital flows.

Despite these achievements the transition to a market economy is only partially complete. Property rights and the legal system remain weak. Lack of transparency, corruption, and the inconsistent enforcement of the law plague the country's economic development. International accounting standards have been introduced to the banking system and partially to the industrial sector, but are often inconsistently applied.

In 2003 and 2004, the Kyrgyz gross domestic product (GDP) grew by an average of 7% annually, according to the National Statistics Committee, and the Kyrgyz GDP in 2004 reached 94,078 million soms or \$2,205.4 million. However, the Kyrgyz Republic remains one of the poorest countries in the former Soviet Union with 2004 wages averaging \$51.6 per month. While official unemployment numbers are low, actual unemployment and underemployment plague the economy. The Kyrgyz Government in partnership with international donors is tackling poverty, but approximately half of the population continues to live under the poverty line. International donors finance most major budget items.

The Kyrgyz Government has recently rewritten its tax code with help from USAID contractors and the IMF to make the tax system more investor and business friendly, while increasing collection efficiency. Significant tax cuts are to take effect in January of 2006.

US investment in the Kyrgyz Republic in 2004 was \$14 million, or about 8% of the total foreign investment in the country.

Market Challenges

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The principle challenges in the Kyrgyz market come from the administrative environment of the country. Corruption is prevalent as is selective application of the contradictory and confusing Kyrgyz system of law. The judicial system is weak and dependent upon the executive branch of the government, and the outcome of cases is reportedly often decided by bribes.

Although efforts in Parliament are underway to address the problem, the Kyrgyz Republic currently has a vast and confusing system of licenses that present complicated compliance challenges for businesses. Unannounced inspections are frequent and often corrupt.

The European Bank for Reconstruction and Development (EBRD) estimates that 84 percent of the population is below the poverty line, while the GOKG estimates the poor at 40.8% of the population. The population is predominantly poor and rural outside of Bishkek and Osh, relying almost entirely upon herding and subsistence farming.

Market Opportunities

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While GDP growth in 2005 has somewhat stalled due to a drop in production at the country's largest gold mine as well as reduced tourism and increased skittishness following the March change of power, the prospects for the continued strong growth of Kyrgyz GDP are good. Furthermore, the country is bordered by Kazakhstan and China, two of the world's fastest-growing economies, and the Kyrgyz Republic now has a chance, with its recent tax breaks, to take advantage of the growth of its neighbors.

As a result of the consistent GDP growth over the last several years, the middle class has grown substantially, especially in Bishkek. This middle class furnishes a strong demand for western products, many of which have been entering the Kyrgyz market recently.

The coalition military base situated near Bishkek also produces a significant amount of revenue for the country. The base injected more than \$163 million into the Kyrgyz economy in 2004, and lease payments from the American government finance major Kyrgyz budget items. American firms have been successful in setting up businesses for supplying the airbase.

The agricultural sector expanded at a rate of 9.8% in 2004, making it one of the fastest growing sectors of the Kyrgyz economy, although yields could still be substantially improved.

However, mining has attracted more foreign investment than any other sector. The high world price for gold in the last few years has been a major factor in the sustained growth of the Kyrgyz GDP.

The Kyrgyz Republic's major exports are gold, textiles, non-precious metals, electricity, footwear, tobacco, alcoholic beverages, and mechanical equipment. Major imports include fuel, natural gas, iron, machinery, chemical products, medicine, and food products.

Recent infrastructure development projects have focused on telecommunications, power system rehabilitation, agricultural and irrigation system development, road construction, and corporate management.

Market Entry Strategy

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Although the Kyrgyz Government has made some progress towards the development of a "one-stop shop" model for business registration and simplified the process of registering foreign companies, the most proven strategy for market entry remains the establishment of a joint-stock venture with a local partner that knows the Kyrgyz system. Many American companies also avail themselves of the services of local distributors and franchisees. That notwithstanding, American companies have had success opening regional offices without Kyrgyz investment.

For most large-scale investments, a visit to the country and meetings with appropriate public officials are generally necessary. Reliable partners can be found, and there are several consulting services available to American businesses in the country, including the following:

American Chamber of Commerce, Kyrgyz Republic
Mr. David Larson, Executive Director
Hyatt Hotel, Bishkek, Room no. 123
191, Sovetskaya Street, Bishkek 720011, Kyrgyz Republic
Tel: (996-312) 68 09 07
Fax: (996-312) 68 11 72
E-mail: director@amcham.kg

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/5755.htm>

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Using an Agent or Distributor

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The former Soviet distribution and sales networks have completely collapsed. The nascent private sector is beginning to fill in this vacuum but mostly on an informal and small-scale basis. Many western products reach the Kyrgyz Republic via distributors based in Turkey, Russia, or Europe. Finding a local agent or distributor is a challenging process because there are few sources of reliable information on potential partners.

However, reliable partners both national and international can be found through the use of consulting services in the country or through contacts with American companies that have successfully navigated the Kyrgyz system.

Establishing an Office

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In order to start operating in the country, a legal entity must be registered with three governmental bodies: the Ministry of Justice of the Kyrgyz Republic (receives registration certificate containing the registration number as well as entry of data into the Unified State Register of Legal Entities), the National Statistics Committee (receives statistical registration card as well as entry of state registration data into the United Single State Register of Statistics) and the State Tax Inspectorate (receives a unique identification number that is to be entered in all financial, accounting, and customs documents). However, individual entrepreneurs need only register with the Statistics Committee and the Tax Inspectorate.

According to the Ministry of Justice regulations, in order to be registered as a legal entity, a business must submit the following documents in three copies:

- Application;
- Company charter;
- Incorporation agreement;
- Certificate of Registration in home country (if the founder is foreign enterprise) or passport/ID with visa validity (if the founder is foreign citizen), with notarized

- translation by a Kyrgyz notary office;
- Documents confirming charter capital.

An enterprise can operate as a limited liability company, additional liability company, joint-stock company, general or limited partnership, foreign enterprise or enterprise with foreign participation. There are some additional types such as individual entrepreneur, representative office, branch office, commercial cooperatives and credit unions. All incorporating documents should be in Russian or Kyrgyz and be notarized by a Kyrgyz notary office.

Franchising / Direct Marketing

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Franchising and direct marketing are poorly developed in the Kyrgyz Republic. While trademarks, logos and intellectual property are protected under the Law on Property Rights, prosecution of infringement is prohibitively difficult. As in many developing nations throughout the world, IPR is a challenge in the Kyrgyz Republic. Nevertheless, the government has taken considerable steps to fight counterfeit goods being imported from neighboring countries. Foreign investments with franchising potential (Coca-Cola, Xerox, Kodak, Motorola, Amway, etc.) are represented in the country.

Joint Ventures / Licensing

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Joint ventures are the most proven strategy for entry into the Kyrgyz market. Foreign investors are generally protected by the inclusion of a well-positioned national investor that is familiar with the Kyrgyz system. Furthermore, Kyrgyz law gives more protection to Joint ventures than to representative offices or international businesses.

The following commercial activities require licenses from the Kyrgyz Government.

- Exploration, prospecting and use of mineral deposits
- Building dams on rivers and reservoirs
- Hunting and catching birds
- Manufacture and sale of drugs, medicine, perfume cosmetic and chemical substances, and medical equipment, except enterprises that sell soap, cleanser and perfume-cosmetic goods with a certificate of quality from the manufacturers
- Production of beer, wine, champagne, liquor, vodka, cognac and alcohol
- Private medical and veterinary practice
- Organization of gaming and gambling establishments
- Any kind of aviation services, reception and release of civil aviation aircrafts, technical maintenance of aircrafts and their equipment
- Urban planning, drafting and design of housing, public buildings or industrial construction
- Building and assembly jobs, excluding individual residence buildings construction;
- Private detective activity
- Banking operations, credit union and pawnshop activities, attraction by legal entities of population's funds on terms of terminability, recovery and playability
- Securities
- Insurance

- Non-governmental pension funds
- Postal and electrical connections, telecommunications, TV and radio broadcasting, including design, construction, production and installation of networks, lines and systems, except internal technological connections for industry
- Trade in alcohol
- Generation, transmission, distribution and sale of electric power and heat; oil and gas processing
- Construction of electric power plants, substations and transmission lines;
- Auditing
- Private educational institutions
- Importing, developing, producing or selling explosive or pyrotechnic products
- Production, repair and trade of arms and ammunition
- Obligatory certification works
- Production and sale of poisonous and radioactive substances
- Utilization, placement, destruction and burial of toxic waste materials and substances including radioactive material and substances
- Transportation (including cross-border) of toxic waste
- Administration of bankruptcy process procedures
- Juridical practice (private notary activity and advocacy)
- Passenger (excluding cab) and international cargo transportation by auto transport, transportation by air, water and railway transport

Distribution and Sales Channels

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More than 50% of the foreign investment in the country is centered in Bishkek, and what investment is not centered there tends to be extractive in nature. Most US firms currently operating in the country have not expanded their businesses significantly outside of the capital because of the poverty of the regions. For this reason, the relatively poor state of the roads does not present much of a problem for the distribution of foreign products.

Selling Factors/Techniques

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Products marketed in Bishkek tend to be marketed in Russian, although the use of Kyrgyz in advertisements and public life is growing even in the capital.

Electronic Commerce

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No reasonable level of electronic commerce exists in the Kyrgyz Republic. Internet access outside of major cities is sparse and unreliable. There are plans for the launch of a credit card system in the middle of 2006.

Trade Promotion and Advertising

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A full range of advertising opportunities are available in print, radio, television, billboards, promotional goods and sponsorship of events. There are several local advertising agencies that can handle campaigns.

Contact information for major agencies, newspapers and others follows:

PRINT MEDIA

Aalam ('The UNIVERSE'), Kyrgyz language; private
Address/postcode: Sovetskaya 73, 720005
Phone: 544-209
Circulation: 18,000
Publication day: Tuesday, Friday
Contact: Editor-in-chief: Ms Lenora Kulov
E-mail: aalamga@hotmail.com

Gym ('The CURRENT'); Kyrgyz language; private
Address/postcode: Manas 40 (2nd floor), 720001
Phone: 665670, 665548
Fax: 665-548
Circulation: Tuesdays – 13000, Fridays – up to 22000
Publication day: Tuesday, Friday
Contact: Editor-in-chief: Mr. Emirs Shakenov; Deputy
E-mail: agym@users.kyrnet.kg

AKI Press (Russian language; private)
Address/postcode: Moskovskaya 189, 720001
General Director Mr. Marat Tazabekov, Executive Director Ms. Alina Sagynbayeva

Jurnal AKI Press
Phone: Press center-650-202, Information, Yellow pages-650-204
Fax: 650-204, 610-396
Circulation: 1000
Publication days: monthly
Newspaper "Limon"
Phone: 650303, 650309, 650306
Publication: weekly

[Website](http://akipress.org): akipress.org
Phone: 610396, 611825
Email: admin@akipress.org

The Bishkek Observer (private)
Address/postcode: Frunze 429, 720000
Phone: 289-596; 289-388
Fax: 682261
Circulation: 2,000-3,000
Publication days: Thursday
Contact: editor: Mr. Avtar Singh

E-mail: observer@elcat.kg

Delo Nomer ('CASE Number'); Russian language; private; specializes in reporting crime stories

Address/postcode: Sovetskaya 190, 720000

Phone: 621-980; 664-917; 621-981

Fax: 663-866

Circulation: 30,000

Publication days: Wednesday

Contact: Editor-in-chief: Mr. Viktor Zapolsky Mihailovich

E-mail: cactus@elcat.kg

Homepage: <http://delo.ktnet.kg>

Komsomol'skaya Pravda v Kyrgyzstan (Russian language, private)

Address/postcode: Tynystanova 195, 720040

Phone: 622204

Fax: 622205

Circulation: 15,00

Publication day: Tuesday, Wednesday, Thursday, Friday, Saturday

Contact: Editor-in-chief: Mrs. Nasirova Anara Nasirovna

E-mail: nvsk2006@mail.ru

Moya Stolitsa (Russian language, private)

Address/postcode: Elebaeva Street 1 - 37, Shabdan Batir Street 4 B 3rd Floor, 720082

Phone: 432162; 531688

Fax: 531683

Circulation: 50,000

Publication days: Tuesday; Wednesday; Friday

Contact: Editor-in-chief: Mr. Alexander A. Kim – 666-556; 587-816; 660-111; Mr.

Alexander V. Kim – 583-006;

Director: Janaliev Toktorbek Nasiranbekovich; Mr. Zamir Osorov – 217-942; Ms. Elena

Skorodoumova – 217-354; Ms. Larisa Lee – 666-562

E-mail: city@infotel.kg; stolica@infotel.kg

Homepage: www.mcn.kg

Obshestvennyi Rating (Russian Language, private)

Address/postcode: Toktogula 247 (Tolubai Bank), 720010

Phone: 652020

Fax: 652021

Circulation: 3,000

Publication days: Thursday

Contact: Editor-in-chief: Mr. Aibek Chekoshev;

E-mail: pr_100@infotel.kg

Res Publica (Russian Language, private)

Address/postcode: Isanova 8, 720017

Phone: 217757, 211416

Fax: 611358

Circulation: 3,600
Publication days: Wednesday
Contact: Editor-in-chief: Ms. Tatiana Ivanovna Popova
E-mail: respub@elcat.kg
Homepage: gazeta.respublica.kg

Times of Central Asia (English language, private)
Address/postcode: Chui 155, 7th floor, room 702, 720000
Phone: 680567, 681150
Fax: 680769
Circulation: 2,000
Publication days: Thursday
Contact: Ms. Lidia Iakovlevna Savina
E-mail: edittimes@timesca.com
Homepage: www.timesca.com

Vechernyi Bishkek (Russian language, private)
Address/postcode: Usenbaeva 2, 720021
Phone: 682121
Fax: 680268
Circulation: 70,000
Publication days: Monday; Tuesday; Wednesday; Thursday; Friday
Contact: Editor-in-chief: Mr. Kuzmin Gennadi Alexandrovich; Deputy Editor-in-chiefs: Alexander Tuzov, 68-23-68 Nina Nichiporova 68-01-51, Erlan Satibekov 68-29-29
Sales Department: 682341
E-mail: webmaster@vb.kg
Homepage: www.vb.kg

BROADCAST MEDIA

Almaz (radio)
Address: 133A Chaikova str.
Phone: 66-37-51, 62-76-20
Fax: 66-37-51
Contact: Mr. Rustam Koshmuratov - Director, Mr. Alexei Sidorov –Deputy Director
E-mail: almaz@kyrnet.kg, almazfm@mail.ru

Max (radio)
Homepage: www.max.kg
Address: 315, Chui prospect (8 floor)
Phone: 65-19-50, 58-10-40
Fax: 65-19-50
Contact: Mr. Ruslan Savkeev - Director
E-mail : radio@max.kg, ryc@max.kg

Pyramid (TV/Radio)
Homepage: <http://www.pyramid.elcat.kg/>
Address: 70, Djantosheva Str and 69, Djantosheva Str.

Phone: 51-15-50, 28-28-28, 51-00-19
Fax: 51-15-50, 47-16-24, 51-00-12, 52-61-65
Contact: Mr. Oleg Vassil – Vice President, Ms. Larisa Golikova - Sales Manager
E-mail: admin@pyramid.kg, office@pyramid.kg

NBT (TV)
Address: 6 A, Alma-Atinskaya Str
Phone: 53-07-45, 53-07-48,
Fax: 53-07-43
Contact: Mr. Mollautov Nazim – General President
E-mail: nbt_tv@mail.ru

Novaya Televizionnaya Set (New TV Net) (TV)
Address: 7th district, 46a
Phone: 41-95-40, 51-23-58
Fax: 41-95-40
Contact: Ms. Malivanaya Oksana - General President
E-mail: info@nts.kg

KOORT (TV)
Homepage: <http://www.koort.kg>
Address: 24, Ibraimova str. (15th floor)
Phone: 54-77-27, 54-76-43
Fax: 54-77-15
Contact: Mr. Kaparov Samjar - Director,
E-mail: office@koort.kg

Asia Center (Radio Echo Moskvyy)
Address: 207 Chui prospect
Phone: 62-56-38
Fax: 22-06-40
Contact: Mr. Anatolii Manoilov - General Director
E-mail: echo_news@infotel.kg

"Europe+", "Russkoe Radio", "The Kyrgyz Republic Obondoru"
Homepage: <http://www.europa.kg/>
Address: 4b, Almatinskaya St
Phone: 53-05-55, 53-01-11, 53-13-33
Fax: 53-09-99
Contact: Mr. Aider Bekirov - President, Mr. Sergei Ogai - Director
E-mail: office@europa.kg

Hit FM (Delta)
Address: 36, Chui (13th floor)
Phone: 68-10-56
Fax: 68-10-76
Contact: Ms. Elena Oshepkova - Director
E-mail: hitfm@infotel.kg

OK Radio
Address: 6, Almatinskaya str, room 406

Phone: 531647
Contact: Mr. Wes Hendrikson - Director
E-mail: okradio@elcat.kg

Manas FM (radio, Kyrgyz-Turkish University Manas)
Homepage: <http://www.Manas.kg/radio/>
Address: 56, Mira Avenue
Phone: 54-19-36
Contact: Mr. Seisetdeen Saglam - Director, Ms. Aida Moldalieva - Reporter
E-mail: manasfm@manas.kg

Auto Radio
Address: 119A, Ahunbaeva Str.
Phone: 54-77-46
Contact: Mr. Ulan Alybaev - General Director, Mr. Oleg Zayarnuk – Technical Director
E-mail: autoradio@elcat.kg

Radio "Shanson"
Address: 34, Chui (13th floor)
Phone: 68-08-34
Fax: 28-47-37
Contact: Mr. Tofik Aliev - General Director
E-mail: shanson@infotel.kg

Radio "Retro"
Address: 6, Almatinskaya Str., 2nd floor
Phone: 53-08-85, 96-09-96
Fax: 53-08-85
Contact: Ms. Djamilya Unusalieva - Director
E-mail: retro@infotel.kg

"Mir" (TV/Radio)
Address: 170, U. Abdrahmanova Str.(old street name Sovetskaya)
Phone: 66-05-14
Fax: 66-05-15
Contact: Mr. Zakon Kuruchbekov - Director
E-mail: mirbishkek@infotel.kg

Pricing

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The Kyrgyz Republic's VAT is 20%.

Protecting Your Intellectual Property

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The Kyrgyz Republic adheres to agreements on intellectual property rights as a member of the WTO. Due to changes in business practices, adherence to international standards required for WTO members and an aggressive economic reform program, the Kyrgyz Republic's trade and investment regime is unusually liberal for Central Asia. The

Kyrgyz Republic acceded to both the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT) in March and August 2002 respectively. Implementation of these agreements is ongoing. The Ministry of Interior has already pursued a case against a Kyrgyz firm that had allegedly violated Microsoft's intellectual property rights.

Due Diligence

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Due diligence is difficult in the Kyrgyz Republic. Market research capacities are underdeveloped and reliable information can be difficult to find. Most reliable economic information is produced by aid and humanitarian organizations operating within the country, including the UNDP, USAID projects, and the IMF.

Consulting services for American businesses are offered through the [American Chamber of Commerce in the Kyrgyz Republic](#).

Local Professional Services

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There are a number of international law firms operating within the Kyrgyz Republic, including:

LEBOEUF, LAMB, GREENE & MACRAE, LLP
Mr. John Corrigan, Director
214, Moskovskaya Street, Bishkek 720010, Kyrgyz Republic
Tel: (996-312) 90 01 00
Fax: (996-312) 66 22 33
E-mail: jcorrigan@llgm.com

Kalikova & Associates Law firm
Gulnara Kalikova, Director
66a Kalyk Akiev Street, Bishkek 720010, Kyrgyz Republic
Tel: (996-312) 65 01 29, 65 02 56
Fax: (996-312) 65 09 80
E-mail: Gkalikova@k-a.kg

International Audit firms include:

Deloitte & Touche
Mr. Aman Tentiyeu, Managing Director
40, Manas Ave., Bishkek 720001, Kyrgyz Republic
Tel: (996-312) 60 09 99
Fax: (996-312) 60 09 90
E-mail: atentiyeu@deloitte.kg
Web-site: www.deloitte.com/kg

KPMG

Mr. Azamat Murzaliev, Executive Director

Hyatt Regency Bishkek, Room #122

191, Sovetskaya Street, Bishkek 720011, Kyrgyz Republic

Tel: (996-312) 68 02 04, 68 05 73

E-mail: amurzaliev@kpmg.kz

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Mining

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Mining: There are several large joint venture mining project contracts, including some with U.S. partners. There are also programs for coal industry development and a program for geological surveys for oil and gas. So far the only project presently producing gold is the Canadian gold mining joint venture Kumtor. When other projects get off the ground there may be potential for export of mining equipment and technology.

Surveyed gas deposits amount to 4.9 billion cubic meters, presenting another investment opportunity. The GOKG is presently seeking investors for a joint-stock company that specializes in locating, surveying and exploiting gas and oil deposits.

Electric Power

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Electric Power: The Kyrgyz Republic is a major producer of hydroelectric power and has great unexploited potential. Several potential projects are on the drawing board, but need secured export markets and project financing. Projects include upgrade of the district power and heating plant, upgrade and maintenance of the electric distribution system, and others, providing opportunities for electric power equipment exports. Kyrgyzstan delivered 2.5 million kilowatt/hours of energy to Russia in 2005. This represents Kyrgyzstan's first big export of this kind. The proceeds of this sale enabled the government to acquire necessary upgraded equipment for the Toktogul Hydroelectric Power Station. The government also has a 5-year contract with Kazakhstan to export electricity. Electricity is also exported to Tajikistan.

Tourism

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Tourism: Considering the geographic position and mountainous topography of the country, there are many opportunities for developing tourism. Issyk-kul, the second largest alpine lake in the world, is an excellent place for developing recreation facilities, since existing facilities are far below international standards. However, poor internal infrastructure and limited international air service are constraints to development.

Other Industries

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Other Industries: The government supports new technologies including production of basalt fibers, synthetic diamonds, constant magnets, nitrite, ceramics, transformers, etc. The radio-electronic industry and silicon production in the Kyrgyz Republic are priorities for development, but remain underdeveloped. There is a variety of niche opportunities in small and medium-scale light manufacturing equipment. Because light industry is based on the use of domestic raw materials (wool, cotton, silk), financial and organizational measures are necessary to upgrade textile and knitting enterprises. Agricultural produce processing and packaging presents another investment opportunity.

Agricultural Sectors

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The agriculture sector is the largest sector in the Kyrgyz Republic, but is disorganized and undercapitalized. Several donor projects are focused on improving credit to the sector and there are opportunities for small scale operations in a variety of areas: improved seed, fertilizer, small scale farm equipment, food and textile processing equipment, improved storage, and packaging.

Although a law establishing private ownership of land has been enacted, as of July 2003 it has not been implemented.

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Import Tariffs

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The Kyrgyz Republic has a uniform import tariff rate of ten percent on all goods. In addition tobacco, alcohol, precious metals, petroleum, carpets, coffee and cocoa, jewelry, crystal, fur, and firearms have excise taxes of 10-20 percent. A twenty-percent VAT is levied on all imports except for those produced in Russia, Azerbaijan, and Belarus.

Trade Barriers

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Trade barriers include tariffs, an outdated standards regime and import taxes. However, the Kyrgyz Government adopted a new Customs Code in April 2004. Unlike the previous customs code, the new Code complies with most international standards and takes into account the regulations of the Kyoto Convention on Simplification and Harmonization of Customs Procedures. The new document includes procedures for speeding up customs inspections and creating more favorable conditions for responsible businesses.

Labeling and Marking Requirements

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Kyrgyz law requires that the text on labels for food products be in Kyrgyz and Russian.

Prohibited and Restricted Imports

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Narcotics and pornography are prohibited.

Customs Regulations and Contact Information

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According to the Article 242 of the Custom Code of the Kyrgyz Republic customs value of goods imported to customs territory of the Kyrgyz Republic shall be determined by way of applying the following methods:

- Transaction value of imported goods

- Transaction value of identical goods
- Transaction value of similar goods
- Deductive method
- Computed method
- Provisional method

The method of determining customs value of goods by using the transaction value of imported goods shall be the principal method. In cases where the principal method cannot be applied, each of the methods listed above shall be applied in sequence. In that respect, each subsequent method shall be applied where the customs value cannot be determined by way of using a previous method.

Upon the declarer's application, the deductive and computed methods may be used in any sequence.

Three methods are used:

- Ad Valorem, calculated as a percentage of the price of the goods
- Specific, calculated at a standard amount per unit
- Combined, including both of the above methods

Standards

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Overview

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In April 2004, the Kyrgyz Parliament passed a law on technical regulation, which will modify governmental control over businesses in order to decrease government regulation. In the past, the Kyrgyz system functioned along Soviet standards requiring obligatory certification of 70 percent of all products. Approximately 50,000 official documents regulated security and quality of goods. The new law states that certification is only required for products potentially dangerous to consumer health. This legislation change reduces standards coverage from 70 to 22 percent. Other goods can be certified on a voluntary basis, but only to confirm product quality. The new law should enable businesses to significantly reduce production and promotion costs.

Standards Organizations

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The Kyrgyz Republic is a correspondent member of the International Standard Organization (ISO). There are 570 Kyrgyz state standards as well as around 20,000 CIS intergovernmental standards. The GOKG has already begun to adopt ISO standards. As of January 1, 2005, the level of harmonization of Kyrgyz internal standards to international standards has reached 50 % and the level of harmonization of CIS intergovernmental standards to international standards has reached 38%.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries.

Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL:
<http://www.nist.gov/notifyus/>

Trade Agreements

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On April 15, 1994, CIS states (Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, the Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan) signed an agreement to establish a free trade zone. According to the agreement, imports of goods produced within the CIS having respective certificates of origin are not subject to any customs or value added taxes in the Kyrgyz Republic. However, this exemption does not cover excise goods, furniture, video, television, computer equipment, or any accessories to the above electronic equipment. Russia, Belarus, Kazakhstan, the Kyrgyz Republic, and Tajikistan have also signed an agreement on customs.

In June 2004, the Kyrgyz Republic signed a Trade and Investment Framework Agreement with the U.S., Kazakhstan, Tajikistan, Turkmenistan, and Uzbekistan, to provide a forum for addressing trade issues and enhancing trade and investment between the United States and Central Asia. The objective of the TIFA is to increase and diversify trade and investment opportunities between the United States and Central Asia. The TIFA will also provide a regular forum in which to address regional trade issues that hamper intra-regional trade and economic development and can act as impediments to investment. The TIFA creates a United States-Central Asia Council on Trade and Investment that will consider a wide range of issues that include, but are not limited to, intellectual property, labor, environmental issues, and enhancing the participation of small- and medium-sized enterprises in trade and investment.

The Kyrgyz Republic currently enjoys bilateral investment treaties with the United States, Armenia, Azerbaijan, Belarus, China, France, Georgia, Germany, India, Indonesia, Iran, Kazakhstan, Malaysia, Mongolia, Pakistan, Switzerland, Tajikistan, Turkey, United Kingdom, Ukraine, Finland, Moldova, Sweden and Uzbekistan.

The Kyrgyz Republic has also signed double taxation treaties with several countries including Belarus, Canada, India, Kazakhstan, Mongolia, Poland, Russia, Tajikistan, Turkey, Ukraine, Finland, Austria, China, Iran, Switzerland, Malaysia, Pakistan and Uzbekistan. The U.S.-U.S.S.R. treaty on double taxation, which was signed in 1973, remains in effect between the U.S. and the Kyrgyz Republic.

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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The Government of the Kyrgyz Republic has made the attraction of foreign investment a priority in the past several years, and legislation encouraging and protecting the investment of foreign capital has emerged with more legislation currently in debate.

The main barriers to increased foreign investment remain corruption, lack of transparency, and the inefficiency of the Kyrgyz Government. While as a whole, the government tries to encourage policies that promote investment, reportedly some officials of the competing agencies and ministries of the government have tried to extract bribes and penalties from investors.

Dispute Settlement

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The court system of the Kyrgyz Republic is weak and influenced by nepotism, corruption, and a dependence upon the executive branch. As a result, dispute settlement is often slow, inefficient, and unjust.

Protection of Property Rights

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Property right protections are slowly emerging. However the judicial system remains under-developed. Court actions can force the sale of property to enforce payments and other contractual obligations. New laws on collateral and bankruptcy make the enforcement of commercial obligations increasingly viable and more widely respected. A central lien registry, now functioning, also reduces disputes over collateral.

Transparency of Regulatory System

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The legal and regulatory system of the Kyrgyz Republic continues to develop. Although the body of new commercial law looks to be an effective basis for commerce, the process of implementing regulations and court orders remains inconsistent. The Kyrgyz system is still heavily bureaucratic, a legacy of the Soviet era. Investors must overcome a great deal of red tape in order to do business.

In an effort to assist foreign investors on a variety of issues, the State Committee for Foreign Investments and Economic Development established an agency based on the 'one-stop-shop' model. However, businesses report that this agency doesn't prevent bureaucratic holdups. Officials reserve the right to reverse stated policies without prior notice. While bureaucratic procedures have not been fully streamlined, these procedures are smoother and more transparent than those in most of Central Asia.

Efficient Capital Markets and Portfolio Investment

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The National Bank of the Kyrgyz Republic increasingly favors modern financial practices. The currency is freely convertible, Kyrgyz bonds are available for foreign ownership, and the stock market is developing.

In July 2004, the stock market listed 18 companies, all adhering to international accounting standards. There are also approximately 732 unlisted companies trading at the exchange weekly. The total volume of trade for 2003 was 1,865 transactions with 49,000,000 shares valued at 511,000,000 som (approx. USD 11,883,720). In June 2004, 2,006,668 shares were traded, valued at 60,873,297 som (approx. USD 1,415,658). The charter capital of the exchange is 27,216,000 som (USD 632,930). Although most shares are still traded over the counter, a new computerized central depository for shareholder information has simplified trades and record keeping.

Total capitalization of the banking sector as of January 2004 was about USD 48,800,000. There are currently 21 commercial banks in the Kyrgyz Republic, with a total of 156 branches throughout the country.

Several foreign banks now operate in the Kyrgyz Republic. Demir Bank, Bank of Asia, and National Bank of Pakistan are entirely foreign held. Other banks are partially foreign held, including the Asia Universal Bank (70% foreign held), and Aman Bank (30% foreign held). Although no U.S. bank has set up operations in the Kyrgyz Republic to date, many Kyrgyz banks maintain correspondent relations with U.S. and other foreign banks to facilitate short-term commercial lending, such as letters of credit.

The Kyrgyz Credit and Investment Bank (KICB) began operation in mid-2001. It was created to provide commercial lending and other services while helping to introduce western banking practices and encouraging the entry of other banks into the Kyrgyz market. KICB's principle shareholder is the Aga Khan Fund for Economic Development, which has a 30 percent stake. Other shareholders are the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD), and the German Bank for Reconstruction and Development (DEG), each with 20 percent shares, and the Kyrgyz government with a ten percent share.

The Kyrgyz Republic is largely a cash society, and outside investors have rarely sought financing from domestic banks. Bank lending is heavily biased towards short-term loans against physical assets as collateral. The questionable liquidity of assets and unreliability of asset valuation make the quantity of physical assets an unreliable gauge for assessing borrowers. Earning potential of individuals and entities, although more reliable than physical assets, is suspect as a basis for lending decisions. Many banks prefer to deal in national bonds rather than lend at all.

In 2000 the National Bank of the Kyrgyz Republic introduced a minimum charter capital requirement of 50 million som in response to Asian Development Bank conditions, later increased to 100 million som in August 2001. In Spring 2002, the minimum owned capital requirement (charter capital plus or minus profit or losses) was set at 25 million som (approx. USD 40,000). In July 2003 it increased to 30 million som and is expected to rise to 60 million by January 2006. Banking law also requires that banks maintain reserves of 10% on deposit with the National Bank. No deposit insurance or government guarantee of deposits exists, though the National Bank is working with the IMF and parliament to establish a National Deposit Insurance system.

Between 1999 and mid-2001 Insan Bank, Akyl Invest Bank, Bishkek Bank, Maksat Bank, the KRAMDS bank, Mercury Bank, and Kurulush Bank became insolvent and suspended operations. The KRAMDS Bank was placed under the National Bank's special administration, and remains under the scrutiny of the National Bank's regulators. Insan Bank, Kurulush Bank, Bishkek Bank, Maksat Bank and Mercury Bank had their licenses for operation revoked, were declared bankrupt, and have been liquidated.

Accounting systems in banks and enterprises are rapidly being converted to international standards. The Kyrgyz government has supported this exercise. International assistance programs have contributed to rapid progress in reaching these standards via accounting training and certification. The National Bank of the Kyrgyz Republic (NBKR) is trying to impose strict regulation on the banking system after the collapse of five banks mentioned above and improve commercial accountability. The closure of a number of weaker banks in recent years has made the banking sector stronger and more viable as a whole.

Political Violence

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Until March of 2005, there had been no incidents of politically motivated damage to projects and installations. In March 2005, widespread looting in Bishkek caused millions of dollars of damage following the deposing of President Askar Akayev. Since that time, however, there have been almost no politically motivated incidents involving the damage of businesses. Also in 2005 three members of parliament associated with the mob were murdered.

Supporters of extremist groups such as the Islamic Movement of Uzbekistan (IMU), and the Eastern Turkistan Islamic Movement remain active in Central Asia. These groups have expressed anti-U.S. sentiments and may attempt to target U.S. Government or private interests in the region, including in the Kyrgyz Republic. Because of increased security at official U.S. facilities, terrorists are seeking softer civilian targets such as residential areas, clubs, restaurants, places of worship, hotels, schools, outdoor

recreation events, resorts, beaches, maritime facilities, and planes. In December 2002, a bombing occurred at the Dordoi Bazaar, a market frequented by locals and foreigners. In May 2003, a bank in Osh was bombed. The Kyrgyz Government has blamed the IMU for both bombings.

In the summers of 1999 and 2000, armed Islamic Movement of Uzbekistan (IMU) insurgents entered the southern Kyrgyz Republic and took a number of Kyrgyz citizens and foreigners captive. While many of these insurgents were apparently eliminated during military operations in Afghanistan, the Department of State urges U.S. citizens to avoid travel to the following areas of the Kyrgyz Republic: the rural areas along the Kyrgyz-Uzbek and Kyrgyz-Tajik borders, the areas to the south and west of the provincial capital Osh, and the Batken Oblast. All U.S. government personnel are restricted from traveling to these areas of the Kyrgyz Republic due to the security situation. Americans planning to travel to the Kyrgyz Republic should refer to the U.S. Department of State for updated security information. This information is available on the Internet at <http://travel.state.gov>.

There are occasional tensions among the Kyrgyz, Russians, Uzbeks, and other ethnic groups over language, land rights and religion, as well as between Kyrgyz from the north and south of the Republic. Such tensions, however, would seldom affect foreign employers directly. The Kyrgyz Republic sometimes faces tensions with nearby countries over water rights, energy payments, and other issues. However, effective measures have been taken to discuss such issues in international forums, and it is unlikely that such tensions would translate into disputes directly affecting foreign investors.

Corruption

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As in many developing countries, corruption exists at all levels of society. As elsewhere, U.S. firms complying with the Foreign Corrupt Practices Act are sometimes disadvantaged with respect to other foreign firms. However, most U.S. firms that invest and do business in the Kyrgyz Republic have been able to do so. To date, measures targeting bribery and other such economic crimes have been selectively enforced, typically against persons perceived as political enemies of the government.

The Kyrgyz Government is continuing to take steps to address rampant corruption in the country. As part of their IMF Poverty Reduction and Growth Facilitation program, the Kyrgyz Government has agreed to take actions to stem corruption. In 2004, the Kyrgyz Government founded the National Council for Food Governance that is tasked with tackling corruption. While the Council has yet to take significant steps to address the problem, the government is working closely with international financial institutions, international donors and non-governmental organizations to develop a plan to concrete plan to fight corruption.

The Ministry of Internal Affairs (the police) and the National Security Service (the successor to the KGB) are responsible for investigating corruption, together with the Prosecutor General and subordinate prosecutors. Kyrgyz law enforcement officers received integrity awareness training under a U.S. government-sponsored anti-

corruption program in August 2001. The government has also created special police anti-corruption units. However they have yet to show their effectiveness.

The Kyrgyz Republic is not a signatory to the OECD Convention on Combating Bribery. However, the OECD and the World Bank do report on the progress of anti-corruption measures. The Economist Intelligence Unit also has reported on corruption in the Kyrgyz Republic and efforts to eliminate it.

U.S. and third-country firms have identified corruption as a major obstacle to foreign investment. While bribing a government official is technically a criminal act, prosecution is rare.

Bilateral Investment Agreements

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The Kyrgyz Republic currently enjoys bilateral investment treaties with the United States, Armenia, Azerbaijan, Belarus, China, France, Georgia, Germany, India, Indonesia, Iran, Kazakhstan, Malaysia, Mongolia, Pakistan, Switzerland, Tajikistan, Turkey, United Kingdom, Ukraine, Finland, Moldova, Sweden and Uzbekistan.

The Kyrgyz Republic has also signed double taxation treaties with several countries including Belarus, Canada, India, Kazakhstan, Mongolia, Poland, Russia, Tajikistan, Turkey, Ukraine, Finland, Austria, China, Iran, Switzerland, Malaysia, Pakistan and Uzbekistan. The U.S.-U.S.S.R. treaty on double taxation, which was signed in 1973, remains in effect between the U.S. and the Kyrgyz Republic.

OPIC and Other Investment Insurance Programs

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OPIC is currently active in the Kyrgyz Republic. The event of an inconvertibility claim against OPIC is highly unlikely, given the Kyrgyz Republic's liberal conversion regime. As of December 2005 the local currency, the som, had a conversion rate of 41 som to the dollar. The exchange rate is market-based. According to government statistics, the Consumer Price Index (CPI) increased by 2.8% in 2004.

Labor

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Labor is widely available, including well-educated specialists. International organizations are generally able to employ competent staff, often bilingual in English or other languages, without difficulty and the availability of competent staff is likely to grow, not diminish, with time. Literacy in the Kyrgyz Republic is approximately 98 percent. Considering the lack of employment prospects for technically skilled workers, investors can easily find skilled labor in the Kyrgyz Republic. As of December 2004, the official unemployment rate was 9.9%. The actual rate may be much higher due to hidden unemployment.

Several Free Economic Zones (FEZs) exist, but some are likely to be closed due to poor results. There are currently four FEZs in the Kyrgyz Republic: Bishkek, Naryn, Karakol, and Maimak. Each is situated to make use of transportation infrastructure and/or customs posts along the Kyrgyz borders. Goods entering and traded within the zones are duty free within the Kyrgyz Republic. Government incentives for investment in the zones include exemption from several taxes, duties and payments; exemptions from some import and export duties; simplified customs procedures; and direct access to utility suppliers. FEZs are under scrutiny by the GOKG, which is trying to control their operations. The production and sale of petroleum, liquor and tobacco products in FEZs is banned.

According to the State Statistical Committee, Foreign Direct Investment totaled USD 175 million in 2004, an increase from an estimated USD 147 million in 2003. Government statistics are generally accurate regarding inflation and price levels. However, the problem of registering and tracking the many new private businesses has rendered statistics on employment, the tax-base, and national economic performance less accurate. The shadow economy may account for up to one-half of overall economic activity.

Foreign direct investment is chiefly oriented toward trade, restaurant services, industry, transportation, communications, and the financial sector. Many foreign firms conduct contract work for foreign assistance organizations. U.S. direct investment is concentrated in the hotel and telecommunications sectors with increasing interest in construction and mining.

Joint ventures and foreign companies in the Kyrgyz Republic include the Reemtsma Kyrgyzstan Company (cigarettes), the Plaskap Bishkek Company (packaging/bottling), Besser Brick Company, the Central Asian Group (entertainment/garments), and the Hyatt Regency Bishkek. A Turkish Coca-Cola franchise bottles its soft drinks locally, and the Canadian gold-mining firm Cameco has formed the largest western joint venture in the Kyrgyz Republic, the Kumtor Operating Company. Joint ventures play a leading role in the mining, petrochemical, hotel and food processing sectors.

According to the National Statistics Committee, the following countries were the largest sources of FDI in 2004: Canada, USD 46.5 million; USA, USD 14 million; Turkey USD 23.1 million; Kazakhstan, USD 15.6 million; Russia, USD 11.9 million; Cyprus 11.5 million.

In 2001-2004, regional shares of total foreign investment were: Issyk-Kul Oblast - USD 99,727 million (18.8%); the city of Bishkek USD 264,354 million (50%); Osh Oblast - USD 24,668 million (4.6%); Jalal-Abad Oblast - USD 47,183 million (8.9%); Chui Oblast - USD 45,999 million (8.7%); Naryn Oblast - USD 1,614 million (0.3%) and Batken Oblast – USD 0.253 million (0.05%).

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Chapter 7: Trade and Project Financing

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How Does the Banking System Operate

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As of January 1, 2004, there were 18 commercial banks, Settlement and Saving Company and 2 branches of non-resident banks in the Kyrgyz Republic. At present, Kyrgyz commercial banks have correspondent relations with 413 foreign banks, 60 percent of which are CIS banks.

The banking system consists of both state-owned and private banks supervised by the National Bank. In last years, the National Bank forced four private banks to enter bankruptcy procedures because they either had issued significant loans that were not secured by their capital or had violated operational rules for banks. There are plans to privatize the highly capitalized Kairat Bank and the Settlement and Saving Company. As of August 1, 2001, the National Bank of the Kyrgyz Republic has required all banks to meet a minimum charter capital requirement of 100,000,000 som. The NBKR announced in December 2002, that commercial banks' minimum size of capital (own means) should be not less than 30 million som (approx. \$645,000) by July 1, 2003 and not less than 60 million som (approx. \$1.29 million) by January 1, 2006.

In general, the banking system is weak and undercapitalized. There are currently 20 operating banks with 156 branches. Real interest rates remain high and long-term credit is unavailable. Most banks earn profit primarily from foreign exchange operations and trading of treasury bills. There are no foreign exchange controls for either trade or investment. Hundreds of licensed foreign exchange vendors freely trade currencies at market prices. Short-term financing for trade is available at high interest rates. Most foreign entities do not seek credit in the Kyrgyz Republic because of its high cost. Export finance is difficult to obtain. Most imports are paid for in cash or cash transfer. Letters of credit are not commonly used here. Nearly everything is done on a cash basis in the private sector. The U.S. Export-Import Bank does not finance exports to the Kyrgyz Republic.

There are a number of sources of project financing. OPIC finances investments in the Kyrgyz Republic. The European Bank for Reconstruction and Development finances private sector projects in the Kyrgyz Republic by member countries. The Asian Development Bank and the World Bank/IFC also finance public sector projects in agriculture, transport, energy, telecommunications, and education.

Local Correspondent Banks / Selected Financial Institutions [Return to top](#)

National Bank of the Kyrgyz Republic
(Central bank issuing the licenses for bank activities, debt collection, installment lending)

Chairman: Mr. Ulan Sarbanov
101, Umetaliyev Street, Bishkek 720040, Kyrgyz Republic
Tel: (996-312) 66 90 11, 669012
Fax: (996-312) 21 74 27, 61 07 30
Telex: 24 51 27 rahat su
E-mail: mail@nbkr.kg
Web-site: <http://nbkr.kg>
U.S. correspondent banks: New York Citibank, Riggs Bank in Washington, DC, Federal Reserve Bank of New York

International Monetary Fund office:
Michael Mered, IMF Resident Representative
101, Umetaliyev Street, Bishkek 720040, Kyrgyz Republic
Tel: (996-312) 61 18 16, 61 18 15
Fax: (996-312) 61 01 65
E-mail: or iakmatova@imf.org
Web-site: www.imf.org / www.imf.kg

The World Bank, Resident Mission in the Kyrgyz Republic
Mr. Christopher Lovelace, Country Manager
214, Moskovskaya Street, Bishkek 720010, Kyrgyz Republic
Tel: (996-312) 61 06 50, 61 01 57
Fax: (996-312) 61 03 56, 61 04 81
E-mail: jsalieva@worldbank.org
Web-site: www.worldbank.org.kg

Asian Development Bank
Ashraf Malik, Country Director
52, Orozbekova Street, Bishkek 720040, Kyrgyz Republic
Tel: 996 (312) 900445, 627343
Fax: 996 (312) 627343
E-mail: aberdybekova@adb.org
Web-site: www.adb.org

European Bank for Reconstruction and Development:
Mr. Daniel Berg, Head of Resident Office
26, Geologicheskii pereulok, Bishkek, 720005 Kyrgyz Republic
Tel: 996 (312) 53 00 16, 53 00 17, 530015, 530012
Fax: 996 (312) 666284
E-mail: amanovaa@bsk.ebrd.com
Web-site: <http://ebrdnet.ebrd.com>

Commercial banks (in alphabetical order):

AsiaUniversalBank (AUB)
Chairperson: Mr. Nurdin Abdrazakov Akinovich
187, Toktogula St., Bishkek, Kyrgyz Republic, 720001
Tel.: +996 (312) 666634, 620252
Fax: +996 (312) 620250
E-mail: reception@aub.kg
Web-site: www.aub.kg

U.S. correspondent banks: Union Bank of California

AKB Kyrgyzstan

Chairperson: Mr. Abirov Nurbek

54-a, Togolok Moldo Street, Bishkek 720001, Kyrgyz Republic

Tel: (996-312) 21 95 98

Fax: (996-312) 61 02 20, 214985

Telex: 24 51 26 meken su

E-mail: akb@bank.kg

Web-site: www.bankkg.kg

U.S. correspondent banks: New York Citibank, Banker Trust Company of New York and Riggs National Bank in New York

Amanbank

Chairperson: Mrs. Shatkul Kudabaeva

249, Tunustanova Street, Bishkek 7200040, Kyrgyz Republic

Tel: (996-312) 622077, 662441, 660603, 661922, 662349

Fax: (996-312) 622077

Telex: 24 51 89 akturkh

E-mail: bank@amanbank.kg

Web-site: www.amanbank.kg

U.S. correspondent banks: n/a

Bank - Bakai

Chairman: Marat Alapayev

75 Isanov Street, Bishkek 720001, Kyrgyz Republic

Tel: (996-312) 66 06 10

Fax: (996-312) 66 06 12

Telex: 24 51 39 bakakg22

E-mail: bank@bakai.kg

Web-site: www.bakai.kg

U.S. correspondent bank: Bank of America, Union Bank of California

Bank of Asia

Chairperson: Mr. Taalaibek Jumataev

303 Prospect Mira, Free Economic Zone, Bishkek, Kyrgyz Republic, 720016

Tel.: +996 (312) 551053, 551184, 287310, 682281

Fax: +996 (312) 551182, 286806

E-mail: bankasia@elcat.kg

Web-site: www.bankasia.elcat.kg

U.S. correspondent banks: Union Bank of California

Demir Kyrgyz International Bank

General Manager: Mr. Ahmet Parmaksiz

245, Chui Prospect, Bishkek 720001, Kyrgyz Republic

Tel: (996-312) 61 06 10, 61 04 41

Fax: (996-312) 61 04 44, 61 04 45

Telex: 471015 dkib kz, 471032 dk cc kz

E-mail: dkib@demirbank.kg

Web-site: www.demirbank.kg

This bank converted to GAAP accounting standards.

U.S. correspondent banks: New York Citibank, American Express Bank

Doscredobank

Chairman: Mr. Orozobek Abdrazakov

52, Chui Prospect, Bishkek 720011, Kyrgyz Republic

Tel: (996-312) 682175, 682167, 682173, 681767, 680532

Fax: (996-312) 682167, 680225

Telex: 91 49 02 credo ru

E-mail: credo@credo.com.kg

Web-site: credo.com.kg

U.S. correspondent banks: n/a

Ecobank

Chairman: Mr. Askar Abdyvasiev

17, Geologicheski pereulok, Bishkek 720031, Kyrgyz Republic

Tel: (996-312) 543582, 543576

Fax: (996-312) 543580

Telex: 24 51 70 ecokh

E-mail: office@ecobank.kg

Web-site: www.ecobank.kg

U.S. correspondent banks: Deutsche Bank Trust Company Americas in New York

Energobank

Chairman: Shakenov Sabit

493, Jibek-Jolu Prospect, Bishkek 720070, Kyrgyz Republic

Tel: (996-312) 670047

Fax: (996-312) 670048

Telex: SWIFT enejkg22; 47 10 28 energ kz energo/krz

E-mail: bank@energobank.kg

Web-site: www.energobank.kg

U.S. correspondent banks: Citibank NA New York, Societe Generale NY

Ineximbank

Chairman: Murat Kunakunov Kerimjanovich

57, Kalyka Akieva Street, Bishkek 720001, Kyrgyz Republic

Tel: (996-312) 650610

Fax: (996-312) 650654

E-mail: info@ineximbank.com

Web-site: www.ineximbank.com

U.S. correspondent bank: Bank of New York, Riggs Bank, Banker Trust Company of New York

Kairat (was reorganized from the former "Maksat" Bank) under sale

Chairperson: Kastoru Mamytova

390, Frunze Street, Bishkek 720033, Kyrgyz Republic

Tel: (996-312) 218932

Fax: (996-312) 218955

E-mail: halig@haligbank.kg

Website: www.halig.kg

U.S. correspondent bank: Bank of America International in New York, New York branch of Credit Lyonnais, Citibank International, Deutsche Bank Trust Company Americas in New York.

KazKommertsbank

Chairman: Kanat Mamakeev

42, Isanova Street, 2nd floor, Bishkek, 720017 Kyrgyz Republic

Tel.: +996 (312) 664646, 660524

Fax: +996 (312) 660704

E-mail: bishkek@kkb.kz

Telex: 24 51 81 avto sv

Web-site: www.kkb.kz

U.S. correspondent bank: New York Citibank, Bank of New York

Kyrgyz Investment and Credit Bank (KICB)

Executive Chairman: Mr. Kwang Young Choi

115, "A" Ibraimova Street, Dordoi Business Center,

Bishkek, Kyrgyz Republic, 720021

Tel.: +996 (312) 512380, 512381, 512382

Fax: +996 (312) 609560

E-mail: kicb@kicb.net

Web-site: www.kicb.kg

U.S. correspondent banks: Deutsche Bank Trust Company Americas in New York

Kyrgyzcredit

Chairperson: Mrs. Anvar Abdraev

194, Moscovskaya Street, Bishkek 720010, Kyrgyz Republic

Tel: (996-312) 218674, 218652, 216676, 610857, 610701

Fax: (996-312) 610701

Telex: 24 51 19 kcred kh

E-mail: office@kcredit.kg

Website: www.kcredit.kg

U.S. correspondent banks: n/a

Kyrgyzpromstroybank

Chairman: Mr. Muratbek Mukashev

168, Chui Prospect, Bishkek 720040, Kyrgyz Republic

Tel: (996-312) 216477, 217965, 611149

Fax: (996-312) 690148, 690158

E-mail: kirgpsb@transfer.kg

Web-site: www.kpsbank.kg

U.S. correspondent banks: New York Citibank and Bank of New York

National Bank of Pakistan (NBP)

Chairperson: Mr. Muhammad Naimulla Djan

84, Moskovskaya Street, Bishkek, 720021, Kyrgyz Republic

Tel.: +996 (312) 627250, 627248

Fax: +996 (312) 627251, 627247, 627246

E-mail: nbp.bishkek@transfer.kg

Web-site: www.nbp.com.pk

U.S. correspondent banks: n/a, NBP has its own branch in USA

Savings and Settlement Company
Chairman: Mr. Ruslan Akmatbekov
38a, Molodaya Gvardia blvd, Bishkek 720010, Kyrgyz Republic
Tel: (996-312) 650152, 656746, 654538
Fax: (996-312) 650152
E-mail: a.konokbaev@ssc.kg
Web-site: www.ssc.kg
U.S. Correspondent banks: Citibank, Deutsche Bank Trust Company Americas in New York

Tolubai Bank
Chairman: Mr. Jenishbek Baiguttiev
247, Toktogula Street, Bishkek 720010, Kyrgyz Republic
Tel: (996-312) 252913, 240246
Fax: (996-312) 655951
Telex: 914471 TOLUB RU, 416636 TOLUB KH
E-mail: tolubai@infotel.kg
Web-site: www.tolybaibank.kg
U.S. correspondent banks: n/a

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

(Insert a link to the applicable Multilateral Development Bank here and any other pertinent web resources.)

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Chapter 8: Business Travel

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Business Customs

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Business customs are closely tied to social customs and it is important to allow plenty of time for meetings. Business meetings often lead to offers of meals that may be many hours long, offering course after course and many toasts. Some high level officials and businessmen do not drink, but many do drink alcohol. If you are firm your hosts will allow you to toast with a non-alcohol beverage. However, if you start with alcohol it is difficult to switch to something non-alcoholic, and you may offend the host if you try.

Tours of factories and facilities may also become an obligatory part of initial meetings. Meetings are rarely held separately with different officials in a single company. Most, and often all, relevant officials will be at one large meeting, but very often only the most senior person will do most of talking. Small gifts with company logos, books, fruit, and alcohol or candy are often presented or exchanged.

Travel Advisory

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The Department of State urges U.S. citizens to avoid all travel to rural areas along the Kyrgyz-Uzbek and Kyrgyz-Tajik borders, and all areas to the south and west of the provincial capital of Osh. Security conditions in these parts of the southern Kyrgyz Republic differ from security conditions in the north, and the threat of violence against foreigners in the southern Kyrgyz Republic continues. Hostage-taking incidents involving foreigners occurred during the summers of 1999 and 2000, including one incident in the summer of 2000 involving American citizens. In addition, land mines in Batken Oblast and near the Kyrgyz-Tajik border continue to be a concern. There are currently restrictions for U.S. Government employees traveling to areas of the Kyrgyz Republic south and west of Osh and in rural areas along the Kyrgyz-Uzbek border because of the volatile security situation in these areas.

Supporters of extremist groups such as the Islamic Movement of Uzbekistan (IMU), Al-Qaeda, and the Eastern Turkistan Islamic Movement remain active in Central Asia. These groups have expressed anti-U.S. sentiments and may attempt to target U.S. Government or private interests in the region, including in the Kyrgyz Republic. New tactics, including the use of suicide bombers, have been employed by terrorists in

neighboring Uzbekistan. Terrorists do not distinguish between official and civilian targets. Because of increased security at official U.S. facilities, terrorists are seeking softer civilian targets such as residential areas, clubs, restaurants, places of worship, hotels, schools, outdoor recreation events, resorts, beaches, maritime facilities, and planes.

Following the events of March 2005, the Department of State issued a travel warning for all U.S. citizens visiting the Kyrgyz Republic. This has since been replaced by a Public Announcement in September 2005.

For the latest security information, Americans traveling abroad should regularly monitor the Department's Internet web site at <http://travel.state.gov> where the current Worldwide Caution Public Announcement, Travel Warnings and Public Announcements can be found. U.S. citizens should check the Consular Information Sheets and current Travel Warnings or Public Announcements for nearby countries, including Kazakhstan, Tajikistan, Turkmenistan, and Uzbekistan on a regular basis.

Up-to-date information on safety and security can also be obtained by calling 1-888-407-4747 toll free in the U.S., or for callers outside the U.S. and Canada, a regular toll-line at 1-202-501-4444. These numbers are available from 8:00 a.m. to 8:00 p.m. Eastern Time, Monday through Friday (except U.S. federal holidays).

The Department of State urges American citizens to take responsibility for their own personal security while traveling overseas. For general information about appropriate measures travelers can take to protect themselves in an overseas environment, see the Department of State's pamphlet A Safe Trip Abroad.

Visa Requirements

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A passport and visa are required. For further information regarding entry requirements, contact the Embassy of the Kyrgyz Republic Embassy of the Kyrgyz Republic 1001 Pennsylvania Avenue, Suite #600, NW Washington, DC 20004, telephone: (202) 338 5141,| Fax (202) 742 6501, via e-mail at consul@kyrgyzembassy.org, or on the Internet at <http://www.kyrgyzstan.org>, for the most current visa information. American citizens can obtain a one-month single entry, non-extendable tourist visa upon arrival at the airport "Manas" for \$36 fee without invitation. Travelers cannot obtain a tourist visa at land borders or other airports. American citizens visiting the Kyrgyz Republic no longer have to register with the Office of Visas and Registration. The Embassy also recommends that Americans traveling in the Kyrgyz Republic obtain Kazakh visas, as commercial air travel out of the Kyrgyz Republic is limited and Americans may need to travel through Kazakhstan to return to the United States.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

Telecommunications

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Mobile phone service exists throughout the Kyrgyz Republic and is generally reliable. Ground lines are generally quite old and often impractical for business purposes, although Kyrgyz Telecom has been updating lines throughout Bishkek and the major regional centers to digital standard. Modem internet and DSL internet are available in Bishkek and in the regional centers.

Transportation

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The only two major international carriers flying to Bishkek are Turkish Airlines and British Airlines. Kyrgyz Air runs international flights to Hanover and Frankfurt (Germany), New Delhi, Karachi, Istanbul, and a few other cities. Aeroflot and Uzbek Airlines also fly to Bishkek. Many U.S. travelers fly to Almaty via Europe and then travel by car to Bishkek. The trip between Bishkek and Almaty takes approximately three hours when the roads are clear. The road traverses mountain passes that are normally passable all winter, but the trip can take longer when snow and ice are heavy. The road is in poor condition and accidents are not infrequent. In 2004, a project to rehabilitate the road began, but it is unclear when the repairs and upgrades will be completed. Visitors taking this route must have a valid Kazakh visa as well as a valid Kyrgyz visa. Kyrgyz visas are not available at land borders.

Within the country, it is possible to fly to the major cities of Osh, Jalal-Abad and Karakol. There are daily Bishkek-Osh flights. Infrequent flights have also begun between Osh and Batken. Taxis are easily available and reasonably priced, though often dangerous and in various states of repair. It is easy to arrange for a modern car and driver for the entire period of stay or on a day-by-day basis. Train and bus travel are not recommended.

Language

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Both Kyrgyz and Russian are widely used in the Kyrgyz Republic. In Bishkek and some northern towns and cities Russian predominates although Kyrgyz is gaining in importance and frequency of use. In rural areas and some parts of the south, Kyrgyz dominates but most people can and will speak Russian. Most documents are written in Russian. English is not generally spoken, but a few high level officials and businessmen speak English. An increasing number of people know at least a little English and the study of English is popular.

Health

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Modern medical assistance in the Kyrgyz Republic is not readily available from local hospitals. There is often a shortage of all forms of medical supplies, diagnostic equipment, and medicines, and of western-trained doctors and nurses. Food sanitation can be a problem, and food poisoning, salmonella, giardia and diarrhea not uncommon. Embassy Bishkek recommends that all visitors eat only cooked foods (no raw vegetables) and drink only bottled or distilled water. All visitors should ensure they have up-to-date vaccinations for typhoid fever, hepatitis a and b, diphtheria, and meningitis. There is a high incidence of contractible tuberculosis.

People should bring their own supplies and medicines for minor illnesses or injuries. For major illnesses or injuries the normal practice is to get emergency treatment at local facilities and to arrange for medical evacuation. All visitors should maintain medical evacuation insurance.

For treatment within the country, the following medical facilities in Kyrgyzstan are available:

1. Bishkek Ambulance:

During a medical emergency, American citizens can call the Bishkek City Ambulance by dialing telephone: **103**.

Commercial Ambulance Service is available by dialing telephone number **151**.

2. MEDICAL ASSOCIATES CLINIC

Primary and Emergency Medicine.

Address: HAYATT Regency Bishkek, 191 Sovetskaya, room 113.

Tel.680262, 985745, E-mail: roman_kislov@kumtor.com

3. German-Kyrgyz Medical Center – Bishkek

Address: 92 Akhunbaev St.

Institute of Oncology, 1st Radiological Corps

Telephone: (312) 512197

The German-Kyrgyz Medical Center offers modern European standards of treatment and has a diagnostic room as well as a laboratory and direct contacts to European pharmaceutical firms to provide necessary medications. English speaking professor is available.

Schedule of clinic plan fees (in U.S. dollars)

CONSULTATIONS:

CLINICAL REGISTRATION (per annum)	\$100
INITIAL CONSULTATION	\$30

FOLLOW-UP EXAM	\$10
AFTER HOURS CALL OUT OF PHYSICIAN	\$50
HOME AND HOSPITAL VISITS	\$40
Express (homolog) blood testing	\$10

ULTRASOUND:

INTERNAL ORGANS	\$35	
PREGNANCY AND FETUS		\$20

ENDOSCOPY:

ESOPHAGO-GASTRO-DUODENOSCOPY \$40
COLONOSCOPY \$45

X-RAYS:

CHEST-SINGLE VIEW \$10
MULTIPLE VIEWS \$12
G.I. TRACT \$35

4. VIP Clinic

Provides medical consultations, as well as medical treatment and examinations. English speakers are available.

Address: 110 Kievskaya Street,
Bishkek, 720001, Kyrgyz Republic.

Sagymbaev Marat Akimovich, Chief Physician.

Tazabekova Osipa Tabakelovna, Deputy Chief Physician,

Tel: (office) 996-312-621063; (home) 312-661 310

24 hours duty telephone/ambulance:

996-312-660-356/228-992

Reception: 996-312-663549 or

21-69-37 or 66-19-01

5. The Chui Hospital

Can help foreigners with medical consultations, as well as medical treatment and surgery. English speakers are available.

Address: 10 Saratovskaia St., selo Alamedin

Prof. Ernest Akramov,

tel: (office)996-312-280-794, 280-802, (home)283-505.

6. Republican Cardiac Center

Intensive Care Unit is available 24 hours. English speakers are available.

Address: 3 Togolok Moldo Street (intersection T. Moldo and Toktogul)

Telephone of Intensive Care Unit: 227634

Hospitalization for foreigners costs 120 USD.

7. “Poliklinika Stroiteley,” – Trauma Unit, 24 hours first aid in case of minor traumas.

Address: 41 Manas Street (intersection Toktogul/Manas)

Telephone of the Trauma Unit: 996-312-216875

Reception: 996-312-217217

8. Dental Clinic #5

Address: 83 Jukeev-Pudovkin Street, Bishkek. English speakers are not available.

Tel: 996-312-478-231, or

Receptionist: 996-312-478-313

9. Private Dental Clinic “VYTAS”

89 Shopokova Street

Bishkek, Kyrgyzstan. English speaker is available.

Tel: 996-312-284-659

10. Dental Saloon “Diplomat”

English speakers are available.

Tel.: 996-312-286-731

11. Private Dental Clinic

43 Jukeev-Pudovkin Street. English speakers are not available.

Tel.: 996-312-510 244(reception)

Viktoriya Medvedeva,

Tel.: (home) 996-312-218644

12. The Center for Family Medicine, Osh

Policlinica #2, Room 9, 2nd floor

22 “A” Zainabeddinova street

Osh City

Dr. Heather Dunn

Dr. Begaim Akmatova

Tel.: 3222-25420, 56991, 25375.

Cell phone: 0-502-334494

(Mondays and Thursdays

from 8:30 to 12:30)

English speakers are available.

(Note: Since local doctors are limited in time and resources American citizens are strongly recommended to have medical plans in place for other sources of help in an emergency.)

13. Medical Evacuations:

The following is the list of companies that can assist American citizens with medical evacuations. Please be aware that the Embassy can not provide administrative assistance, such as airport and flight clearance assistance, for private medical evacuations.

- **DELTA CONSULATING**, Moscow, tel: 7-095-229-2536
- **GENEVA SOS EMERGENCY**: tel: 41-22-785-6464
- **SOS, Philadelphia**, PA, the emergency number for the home office is 215-244-1500.
- **AEA INTERNATIONAL**, worldwide emergency assistance.

Almaty, Kazakhstan

Dr. Francois Gourraud, Medical Director for Central Asia

Tel; 7-3272-642-656; 610-765, 661-742

Pharmacies:

Prestige, 95a Kievskaya street

Tel.: 621-462

Neman, 139 Moskovskaya street/T. Moldo street

Tel.: 622-937

Neman, 8 Manas Ave/Bokonbaeva street

Tel.: 216-792

Central Pharmacy, 340 Frunze street

Tel.: 681-005

Local Time, Business Hours, and Holidays

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Local time is two hours ahead of Moscow in the summer and three hours ahead in daylight savings time.

Businesses are generally open from 9 till 5, Monday through Saturday.

January 1 New Year's day

January 7 Orthodox Christmas

March 8 Women's Day

March 21 Nooruz Muslim New Year

May 1 Labor Day

May 5 Constitution Day

May 9 Victory Day

Month** Orozo Ait Day

Month** Kurman Ait Day

August 31 Independence Day

**These dates are determined every year by the lunar Calendar

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Chapter 9: Contacts, Market Research, and Trade Events

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Contacts

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American Chamber of Commerce, Kyrgyz Republic
191 Sovetskaya, Office #123
Bishkek, Kyrgyz Republic 720011
Phone: 996 312 68 09 07
Fax: 996 312 68 11 72

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

Trade Events

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents.html>

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Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

<http://www.bisnis.doc.gov/bisnis/country/kyrgyzstan.cfm>

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest Export Assistance Center or the U.S. Department of Commerce's Trade Information Center at (800) USA-TRADE, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, The Department of Commerce does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. The Department of Commerce can assist companies in these endeavors.